

*Industrials
Security*

DDS&T 3553-77

4 August 1977

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MEMORANDUM FOR: Director of Central Intelligence

VIA : Acting Deputy Director of Central Intelligence

FROM : Ernest J. Zellmer
Acting Deputy Director for Science and Technology

SUBJECT : IG Report on CIA Security Performance Related
to [REDACTED] Problems - [REDACTED]

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1. We have informally reviewed subject IG report with the Inspector General and generally concur with its findings. We do believe that recommendation 4c requires further clarification. Recommendation 4c states: "The Office of Security should be given prime responsibility over enforcement of security standards prescribed for CIA contractors." This recommendation could be interpreted in several ways. One, a responsibility to establish security policy, procedures and standards to include a role to ensure that all such standards are being met; and two, all of the above plus the day-to-day implementation dealing with industrial contractors on the multitude of decisions which affect programmatic issues as well as security. This second interpretation could result in fragmentation of contract management and would be of concern to DD/S&T. Our rationale, together with a revised statement for recommendation 4c is discussed below.

2. DD/S&T uses the Management Team concept to support the Program Manager in directing a contract program. The Management Team consists of specialists to provide the technical, contractual/legal, budget/finance, logistics, audit, communications, and security functions. The Security Officers for a Management Team are assigned to the DD/S&T by the DDA Office of Security. The Contract Officer, Budget and Finance Officer, Auditor, and Communications Officer are also assigned to the DD/S&T by the appropriate offices of the DDA. Thus, the Program Manager with direct line responsibility for a particular technical program has the necessary expertise to properly and efficiently manage the contractor's activities. The contractor has one focal point

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SUBJECT: IG Report on CIA Security Performance Related to [REDACTED]
Problems - [REDACTED]

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to deal with and receives coherent direction and support. Furthermore, the Program Manager is responsible for the single legal enforcement tool available -- the contract which contains performance incentives and penalty clauses. (Note: Future contracts will require new language to provide the leverage needed to strengthen the Government's ability to enforce proper security). Contract management is a continuing set of tradeoffs over the life of a contract. Such tradeoffs include technical solutions, schedules, and costs. Many tradeoffs also have security implications which must be factored into the decisions. For example, tradeoff judgments may have to be made involving the technical requirements of a specific test program, the security restrictions that must be applied, and the costs of those activities. "Security by the Book" without specific tailoring to the test program could make it impossible to conduct the testing. On the other hand, waiving some aspect of security in order to conduct the tests could result in blowing a sensitive development. Thus, there needs to be a day-to-day interaction between the Security Officer and the other elements of the Management Team to ensure program progress while maintaining proper security.

3. For the above reasons, DD/S&T strongly believes that the Agency responsibility for implementing industrial security policy and procedures should remain a line function from the Program Manager to the contractor. To remove from the Program Manager the responsibility for implementing industrial security (or one of the other essential elements of program management) would be detrimental to effective contract management and could result in several sources of directions to the contractor.

4. DD/S&T agrees that the Office of Security should have full responsibility for establishing Agency security policy, procedures, and standards. This O/S function should be strengthened as necessary to improve and clarify existing doctrine and regulations. The O/S also has the responsibility for industrial personnel security investigations and establishing and maintaining clearances for industrial personnel. That responsibility should continue and be strengthened by incorporation of polygraph procedures as recommended by the I.G. DD/S&T believes that the responsibility for implementation of

DDS&T 3553-77
Page 2

SECRET

SUBJECT: IG Report on CIA Security Performance Related to [REDACTED]
Problems - [REDACTED]

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industrial security policy and procedures should remain a direct responsibility of the Program Manager supported by the security officer(s) on his Management Team. Stricter attention must be given to this responsibility by the Program Manager and contract documentation must be strengthened to enhance security control of contractors. To ensure proper implementation of security procedures by the Program Manager and by the contractors, DD/S&T recommends that O/S be given a security audit responsibility. A separate security audit team should be established in O/S to conduct periodic announced and unannounced inspections of Program Management and the contractors. Thus, O/S could ensure that proper security standards are being maintained or could require corrective action through the Program Manager. This independent check on the implementation of security should reduce the risks incumbent in sensitive programs.

5. DD/S&T recommends that recommendation 4c of the IG report be revised to read as follows:

"The Office of Security should be given prime responsibility to ensure the enforcement of security standards prescribed for CIA contractors. As one measure toward this end the Office of Security should establish a security audit unit to conduct industrial security inspections (announced and unannounced) of Program Management and of its contractors. Results of such audits should be provided to the Deputy Director of the component involved, the IG, the DDCI and the DCI."

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Ernest J. Zellmer

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DDS&T 3553-77
Page 3

SECRET

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Dear :

The purpose of this letter is to bring to your attention a matter of urgent importance to the national security interests of this country, and to seek your assistance.

Within the last few weeks, I have caused surprise security inspections to be conducted at the facilities of several major contractors engaged in the performance of contracts funded or administered by this Agency. The results have been uniformly disappointing, and in some aspects appalling. In each instance, numerous and serious deficiencies were found to exist in the security programs of those contractors whose facilities were surveyed. Putting aside the specifics, however, I believe the larger point confirmed by these surveys is that security has been treated as a distinctly secondary aspect of contract performance and that it has received only such attention and resources as may have been left over after other tasks, evidently seen by the contractors involved as more pressing, were fulfilled. In most instances, it is an attitude of casualness that leaves us vulnerable to espionage or inadvertent leakage more than the negligence of the violators themselves.

I want to make it clear that I regard security as being of central importance in the performance of contracts funded or administered by this Agency. Nearly all of the work under

contract would be of lesser value, and much of it would be of little value, if it could not be performed in a secure manner and protected against unauthorized disclosure, whether deliberate or inadvertent, which I have the statutory obligation to prevent.

I am sure you will agree with me that there is no room for relaxed or casual approaches in this field, and that strict adherence to proper security procedures deserves a top management priority on a continuing basis to assure that risks of compromise are held to an absolute minimum. For my part, I have directed that the Agency add significantly to its industrial security staffing so as to support a new program of unannounced security audits. When and if such audits reveal serious discrepancies, I will have to review all recourses available to me to ensure security, including the withdrawal of security clearances from plants and/or individuals. I have directed other initiatives as well, including the requirement that a contractor's security record and posture be taken into account when it comes to the award of new contracts and more effective provisions within our contracts with aspect to security.

I hope that you will join with me in my resolve to bring about and maintain higher levels of consciousness and higher standards of performance with regard to security aspects of Agency contracts. I am counting on your cooperation.

Yours,

STANSFIELD TURNER

Next 8 Page(s) In Document Exempt